

EUREKA CHARTER TOWNSHIP

Montcalm County, Michigan

**Annual Financial Statements
and
Auditors' Report**

December 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Eureka Charter Township	County Montcalm
Audit Date 12/31/04	Opinion Date 6/6/05	Date Accountant Report Submitted to State: 11/7/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

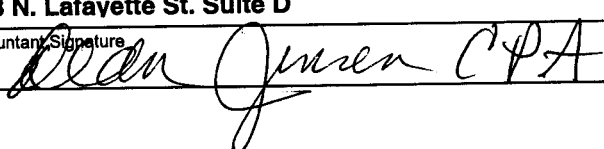
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Dean Jensen, CPA, P.C.			
Street Address 108 N. Lafayette St. Suite D	City Greenville	State MI	ZIP 48838
Accountant Signature 		Date 11/7/05	

EUREKA CHARTER TOWNSHIP

Annual Financial Statements and Auditors' Report 31-Dec-04

Township Officials

John B. Hopkins	Supervisor
Linda J. Ruwersma	Clerk
Cindy L. Hanson	Treasurer
Leslie L. Lillie	Trustee
Rodney L. Roy	Trustee
Laura E. Shears	Trustee
Robert Mulholland	Trustee

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INDEPENDENT AUDITOR'S REPORT

To the Township Board
Eureka Charter Township
Montcalm County, Michigan

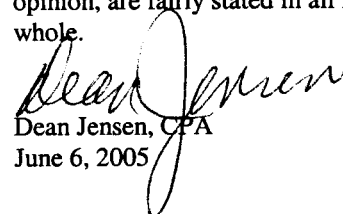
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eureka Charter Township, Montcalm County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise Eureka Charter Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Eureka Charter Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the supporting financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Eureka Charter Township, Montcalm County, Michigan, as of December 31, 2004, and the respective changes in fund balance for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of Eureka has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Eureka Charter Township, Montcalm County, Michigan basic financial statements. The combining and individual fund financial statements as listed in the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Dean Jensen, CPA
June 6, 2005

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Eureka Charter Township
Government-Wide Statement of Net Assets
December 31, 2004**

	<u>Governmental Activities</u>	
ASSETS		
Cash and cash equivalents	\$ 512,009	
Investments	95,551	
Receivables - other governmental units	36,434	
Receivables - other	12,479	
Due from tax collection fund	241,114	
Capital assets (net)	<u>55,953</u>	
Total assets		<u>\$ 953,540</u>
LIABILITIES		
Accounts payable	\$ 43,311	
Payroll liabilities	1,923	
Deferred Revenue	19,490	
Notes payable - Greenville Community Bank	<u>5,429</u>	
Total liabilities		<u>\$ 70,153</u>
NET ASSETS		
Invested in capital assets, net of related debt	50,524	
Restricted for inspection services	48,329	
Unrestricted	<u>784,534</u>	
Total net assets		<u><u>\$ 883,387</u></u>

See Accompanying Notes to Financial Statements

**Eureka Township
Government-Wide Statement of Activities
For the Year Ended December 31, 2004**

	Program Revenues				Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT					
General government	\$ 118,171	\$ 30,856	\$ -	\$ -	(87,315)
Public safety	252,350	131,721	-	-	(120,629)
Public works	100,227	-	-	-	(100,227)
Total primary government	470,748	162,577	-	-	(308,171)
General Revenues					
Property taxes					219,855
State shared revenues					218,212
Unrestricted investment earnings					2,205
Other					5,505
Total general revenues					445,777
Change in net assets					137,606
Net assets - beginning of year					745,781
Net assets - end of year					883,387

See Accompanying Notes to Financial Statements

FUND FINANCIAL STATEMENTS

**Eureka Charter Township
Governmental Fund Balance Sheet
December 31, 2004**

	<u>General Fund</u>	
Assets		
Cash	\$ 512,009	
Investments	95,551	
Other receivables	12,479	
Due from State	36,434	
Due from Tax Collections Fund	<u>241,114</u>	
Total Assets		<u><u>\$ 897,587</u></u>
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 43,311	
Payroll Liabilities	1,923	
Deferred revenue	<u>19,490</u>	
Total Liabilities		<u>\$ 64,724</u>
Fund Balance		
Reserved for inspection services	48,329	
Unreserved	<u>784,534</u>	
Total Fund Balance		<u>832,863</u>
Total Liabilities and Fund Balance		<u><u>\$ 897,587</u></u>

See Accompanying Notes to Financial Statements

Eureka Charter Township
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
To Net Assets of Governmental Activities on the Statement of Net Assets
December 31, 2004

Total fund balance - governmental funds	\$ 832,863
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Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 87,574	
Accumulated depreciation is	<u>(31,621)</u>	
Capital assets, net		55,953

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Notes payable - Greenville Community Bank	<u>(5,429)</u>
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Net assets of governmental activities	<u>\$ 883,387</u>
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See Accompanying Notes to Financial Statements

**Eureka Charter Township
Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds
For the Year Ended December 31, 2004**

Revenues		
Taxes	\$ 251,311	
Licenses and permits	131,721	
State shared revenue	218,212	
Other revenues	<u>7,110</u>	
Total revenues		<u>608,354</u>
Expenditures		
Legislative	23,920	
General government	83,448	
Public safety	250,477	
Public works	100,227	
Other	<u>9,638</u>	
Total expenditures		<u>467,710</u>
Excess (deficiency) of revenues over expenditures		140,644
Fund balance - beginning of year		<u>692,219</u>
Fund balance - end of year		<u><u>\$ 832,863</u></u>

See Accompanying Notes to Financial Statements

**Eureka Charter Township
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds
For the Year Ended December 31, 2004**

Net change in Fund Balances - total governmental funds	\$ 140,644
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add: capital outlay

Deduct: depreciation expense

-
<u>(3,038)</u>

Change in net assets of governmental activities	<u><u>\$ 137,606</u></u>
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See Accompanying Notes to Financial Statements

**Eureka Charter Township
Fiduciary Funds
Statement of Net Assets
December 31, 2004**

Assets		
Cash	\$	380,523
Taxes Receivable		<u>1,523,862</u>
Total Assets		<u><u>\$ 1,904,385</u></u>
 Liabilities		
Due to General Fund	\$	241,114
Due to other taxing authorities		<u>1,663,271</u>
Total liabilities		<u><u>\$ 1,904,385</u></u>

See Accompanying Notes to Financial Statements

**Eureka Charter Township
Notes to Financial Statements
December 31, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township is located in Montcalm County, Michigan. The Township operates under an elected board of five (5) members and provides services to its residents in many areas including public safety (fire and police), highway and street maintenance, public improvements, planning and zoning and general administrative services.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The more significant of the government's accounting policies are described below.

A - THE REPORTING ENTITY

In accordance with generally accepted accounting principles and governmental accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the township does not contain any component units.

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Governmental Fund Financial Statements – The Governmental fund financial statements are reported using the current financial resources measurement and focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township's 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing operations.

The 2004 taxable valuation of the Township totals \$101,074,942 on which ad valorem taxes levied consisted of .8305 mills for the Township operating purposes, .7400 mills for police operations and .5000 mills for road improvements. These amounts are recognized in the respective fund financial statements as revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

D- BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Township has elected to report all governmental funds as major funds.

The Township reports the following governmental funds as major funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources in the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following:

- The **Agency Fund** is custodial in nature (assets equal liabilities) and it does not involve the measurement of results of operations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

E – ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments – The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – The Township does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Equipment and Furnishings	10 to 15 years
Fire Department Vehicles	15 to 25 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

F – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to December 31st of each year.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the Township Board adopts by resolution a budget for the ensuing year.
4. The Supervisor or his designee is authorized to transfer budgeted amounts within department appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at the fiscal year end
6. Adoption and amendments of all budgets used by the township are governed by Public Act 621.

Excess of expenditures over appropriations – Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended December 31, 2004, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Unfavorable Budget Variance</u>
General Fund			
Legislative – Board Supplies	3,000	5,843	(2,843)
Public Safety – Fire Contract	66,500	66,848	(348)
Planning Commission – Contract Services	89,000	90,268	(1,268)
Social Security	6,500	7,638	(1,138)

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 2 – CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorized the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. Investments can also be made in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the United States government, or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating agencies which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of the government of Michigan. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated four banks for the deposit of Township funds. The investment policy adopted by the Township in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States Government and bank accounts and CDs, but not the remainder of State Statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the carrying amount of the Township's cash deposits and investments was \$607,560 and the bank balance was \$613,609. Of the bank balance, \$418,058 was covered by federal depository insurance and \$195,551 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were all categorized as category 1.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated				
Buildings	39,562	-	-	39,562
Machinery and equipment	7,353	-	-	7,353
Vehicles	30,659	-	-	30,659
Total capital assets being depreciated	<u>77,574</u>	<u>-</u>	<u>-</u>	<u>77,574</u>
Less accumulated depreciation for:				
Buildings	21,357	1,038	-	22,395
Machinery and equipment	-	170	-	170
Vehicles	7,226	1,830	-	9,056
Total accumulated depreciation	<u>28,583</u>	<u>3,038</u>	<u>-</u>	<u>31,621</u>
Net capital assets being depreciated	<u>48,991</u>	<u>(3,038)</u>	<u>-</u>	<u>45,953</u>
Governmental activities: Total Capital assets - net of depreciation	<u><u>\$ 58,991</u></u>	<u><u>\$ (3,038)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 55,953</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$1,165
Public safety	<u>1,873</u>
Total Governmental Activities	<u><u>\$3,038</u></u>

The Township is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the Township has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTE 4 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workman's compensation benefits provided to employees. The Township has purchased commercial insurance for claims relating to general liability, errors and omissions, physical damage (equipment, building, and contents) and workers compensation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 5 – DEFERRED COMPENSATION

The Township does not have a deferred compensation plan.

NOTE 6 – POST EMPLOYMENT

The Township does not furnish any post employment benefits to its employees.

NOTE 7 - ACCUMULATED VACATION AND SICK PAY

The Township employees do not earn vacation pay and they are not paid for sick days.

NOTE 8 – RELATED PARTY TRANSACTIONS

In the normal course of operations, the Township may engage in related party transactions. Procedures for related party transactions include obtaining competitive bids, board discussion and approval (with the exclusion of the related party), and disclosure in the financial statements, if material. For the year ended December 31, 2004, related party transactions were not material to the financial statements as a whole.

NOTE 9 – BUILDING INSPECTION

The Township does not maintain a separate fund for building inspection services. Expenditures for these services are classified to a separate function throughout the year. For the year ended December 31, 2004, the building permit and inspection function of the Township produced revenues totaling \$131,721 and incurred expenditures totaling \$110,817. As a result, the Township was in violation of PA 245 of 1999. Section 22 of the Act limits permit and inspection fees to the cost of operating the enforcement agency. Accordingly, a reservation of fund balance in the amount of \$20,904 has been added to the previous year reserved fund balance of \$27,425 for a total reserved fund balance of \$48,329 which can be used for future inspection activity.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Due to/from other funds			
Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Tax Fund	\$ 241,114	Taxes collected by the tax fund that are due to the General Fund

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 11 – ACCOUNTING AND REPORTING CHANGE

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – For State and Local Governments*. Eureka Charter Township has applied the provisions of this statement and related GASB statements in the accompanying financial statements (including the notes to financial statements). The Township has elected to implement the general provisions of the statement. Certain significant changes in the statement include the following:

- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.

**Eureka Charter Township
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - General Fund
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 174,926	\$ 174,926	\$ 251,311	\$ 76,385
Licenses and permits	100,000	100,000	131,721	31,721
State shared revenue	260,000	260,000	218,212	(41,788)
Other revenues	2,500	2,500	7,110	4,610
Total revenues	<u>537,426</u>	<u>537,426</u>	<u>608,354</u>	<u>70,928</u>
Expenditures				
Legislative	40,300	36,700	23,920	(12,780)
General government	88,700	90,000	83,448	(6,552)
Public safety	247,100	251,900	250,477	(1,423)
Public works	98,000	101,000	100,227	(773)
Other	49,500	44,000	9,638	(34,362)
Total expenditures	<u>523,600</u>	<u>523,600</u>	<u>467,710</u>	<u>(55,890)</u>
Excess (deficiency) of revenues over expenditures	<u>13,826</u>	<u>13,826</u>	<u>140,644</u>	<u>126,818</u>
Fund balance - beginning of year	<u>692,219</u>	<u>692,219</u>	<u>692,219</u>	
Fund balance - end of year	<u><u>\$ 706,045</u></u>	<u><u>\$ 706,045</u></u>	<u><u>\$ 832,863</u></u>	

See Accompanying Notes to Financial Statements

**Eureka Charter Township
General Fund
Statement of Revenues - Budget and Actual
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Final Budget</u>
Taxes				
Current property taxes	\$ 141,426	\$ 141,426	\$ 219,855	\$ 78,429
Property tax administration fee	32,500	32,500	30,856	(1,644)
Trailer fees and miscellaneous taxes	1,000	1,000	600	(400)
Total taxes	<u>174,926</u>	<u>174,926</u>	<u>251,311</u>	<u>76,385</u>
Permits	<u>100,000</u>	<u>100,000</u>	<u>131,721</u>	<u>31,721</u>
State shared revenue	<u>260,000</u>	<u>260,000</u>	<u>218,212</u>	<u>(41,788)</u>
Interest and other revenue				
Interest	1,500	1,500	2,205	705
Refunds and miscellaneous	1,000	1,000	4,905	3,905
Total interest and other revenue	<u>2,500</u>	<u>2,500</u>	<u>7,110</u>	<u>4,610</u>
Total revenue	<u>\$ 537,426</u>	<u>\$ 537,426</u>	<u>\$ 608,354</u>	<u>\$ 70,928</u>

See Accompanying Notes to Financial Statements

**Eureka Charter Township
General Fund
Statement of Expenditures - Budget and Actual
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Legislative				
Trustees	\$ 7,000	\$ 7,000	\$ 5,475	\$ 1,525
Board supplies	500	500	754	(254)
Printing and publishing	3,500	3,500	2,431	1,069
Bonds and insurance	6,500	7,000	6,768	232
Township dues	1,800	2,000	1,864	136
Professional fees	12,000	12,000	5,567	6,433
Miscellaneous	6,000	1,700	365	1,335
Travel	1,000	1,000	696	304
Office Equipment	2,000	2,000	-	2,000
Total Legislative	<u>40,300</u>	<u>36,700</u>	<u>23,920</u>	<u>12,780</u>
General government				
Supervisor				
Salary	10,000	10,000	10,000	-
Supplies	1,000	1,000	998	2
Total Supervisor	<u>11,000</u>	<u>11,000</u>	<u>10,998</u>	<u>2</u>
Assessor				
Salary	20,600	20,600	20,517	83
Supplies	3,000	3,000	2,262	738
Total Assessor	<u>23,600</u>	<u>23,600</u>	<u>22,779</u>	<u>821</u>
Elections				
Salaries	5,000	6,000	5,940	60
Total Elections	<u>5,000</u>	<u>6,000</u>	<u>5,940</u>	<u>60</u>
Board of review				
Salaries	600	600	375	225
Total Board of Review	<u>600</u>	<u>600</u>	<u>375</u>	<u>225</u>

See Accompanying Notes to Financial Statements

**Eureka Charter Township
General Fund
Statement of Expenditures - Budget and Actual
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Clerk				
Clerk salary	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
Office Expense	5,000	5,300	4,990	310
Total Clerk	<u>17,000</u>	<u>17,300</u>	<u>16,990</u>	<u>310</u>
Treasurer				
Treasurer's salary	14,000	14,000	14,000	-
Office Expense	6,000	6,000	5,146	854
Total Treasurer	<u>20,000</u>	<u>20,000</u>	<u>19,146</u>	<u>854</u>
Township Hall				
Utilities	6,500	6,500	4,591	1,909
Repairs and supplies	3,000	3,000	1,819	1,181
Total Township Hall	<u>9,500</u>	<u>9,500</u>	<u>6,410</u>	<u>3,090</u>
Cemetery				
Contracted services	2,000	2,000	810	1,190
Total Cemetery	<u>2,000</u>	<u>2,000</u>	<u>810</u>	<u>1,190</u>
Total General Government	<u>88,700</u>	<u>90,000</u>	<u>83,448</u>	<u>6,552</u>

See Accompanying Notes to Financial Statements

**Eureka Charter Township
General Fund
Statement of Expenditures - Budget and Actual
For the Year Ended December 31, 2004**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Public safety				
Police	<u>\$ 65,000</u>	<u>\$ 66,300</u>	<u>\$ 66,290</u>	<u>\$ 10</u>
Fire				
Contract	65,500	66,500	66,848	(348)
Fire truck payments	5,600	5,600	5,589	11
Fire truck expenses	<u>500</u>	<u>1,000</u>	<u>838</u>	<u>162</u>
Total Fire	<u>71,600</u>	<u>73,100</u>	<u>73,275</u>	<u>(175)</u>
Planning commission				
Salaries	10,000	10,000	9,910	90
Contracted services	90,000	89,000	90,268	(1,268)
Office Expense	8,000	11,000	10,639	361
Planning/master plan	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Planning Commission	<u>110,000</u>	<u>112,000</u>	<u>110,817</u>	<u>1,183</u>
Board of appeals	<u>500</u>	<u>500</u>	<u>95</u>	<u>405</u>
Total Public Safety	<u>247,100</u>	<u>251,900</u>	<u>250,477</u>	<u>1,423</u>
Public works				
Street lighting	6,000	5,000	4,729	271
Road maintenance	<u>92,000</u>	<u>96,000</u>	<u>95,498</u>	<u>502</u>
Total Public Works	<u>98,000</u>	<u>101,000</u>	<u>100,227</u>	<u>773</u>
Other expenses				
Transit service	1000	1000	1000	0
Contingency and Township addition	40,000	35,000	-	35,000
Social security	7,000	6,500	7,638	(1,138)
COGG project support	<u>1,500</u>	<u>1,500</u>	<u>1,000</u>	<u>500</u>
Total Other Expenses	<u>49,500</u>	<u>44,000</u>	<u>9,638</u>	<u>34,362</u>
Total expenditures	<u>\$ 523,600</u>	<u>\$ 523,600</u>	<u>\$ 467,710</u>	<u>\$ 55,890</u>

See Accompanying Notes to Financial Statements

COMPLIANCE AND INTERNAL CONTROL

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

June 6, 2005

Members of the Township Board
Eureka Charter Township
Montcalm County, Michigan

We have audited the general-purpose financial statements of Eureka Charter Township as of and for the year ended December 31, 2005, and have issued our report thereon dated June 6, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

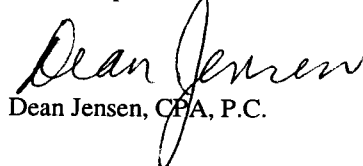
Compliance

As part of obtaining reasonable assurance about whether Eureka Charter Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Eureka Charter Township in a separate letter dated June 6, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eureka Charter Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of Township Board and management. However, this report is a matter of public record and its distribution is not limited.


Dean Jensen, CPA, P.C.

DEAN JENSEN
Certified Public Accountant, P.C.

108 N. Lafayette St., Suite D
P.O. Box 605
Greenville, MI 48838

Telephone (616) 754-8888
Fax (616) 754-5281

June 6, 2005

To the Members of the Township Board
of Eureka Charter Township

In planning and performing our audit of the general purpose financial statements of Eureka Charter Township, for the year ended December 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 6, 2005, on the financial statements of Eureka Charter Township.

Comments and Recommendations:

USE OF COMPUTER FOR MAINTAINING ACCOUNTING RECORDS

In 2000, the Township acquired an accounting package for the Treasurer to enter receipts and to prepare checks. Use of this package helps to generate monthly check registers and deposit listings as well as assist in the cash account reconciliation process.

In order to maintain effective internal controls, the Clerk must document her examination of the Treasurers classification of revenues and expenditures as well as her review of the general ledger detail printouts to ensure completeness of the data entry on a monthly basis. This documentation should consist of a monthly general ledger detail printout that is signed by the Clerk with a written statement that "the accuracy classification and completeness of transactions for the month have been reviewed and verified and that all discrepancies or variances have been resolved."

In addition, we would recommend that the accounts and groupings currently being used by the Treasurer be reviewed for compliance with the State of Michigan's Uniform Chart of Accounts. We believe the Township could be benefited by maintaining a

To the Members of the Township Board
of Eureka Charter Township

Page 2

computerized general ledger as doing so would give the Board the ability to obtain year to date reporting of revenues and expenditures, reports showing budget to actual comparisons, and having an established process to ensure that all transactions are being completely posted on a regular basis.

BUILDING INSPECTION DEPARTMENT

According to Section 22 of PA 245 of 1999, a local unit of government charges for inspections and permits are limited to actual cost of the enforcement department. During the year ended December 31, 2004, the Township's building code enforcement charges were in excess of the related expenses by \$20,904.

We recommend the Township exercise caution with future permit or inspection charge increases to ensure compliance with laws and regulations

There were no additional comments or recommendations that we deemed necessary to bring to the attention of the Township Board at this time. We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the members of the Township Board and related regulatory agencies.

Sincerely,

A handwritten signature in black ink, appearing to read "Dean Jones CPA". The signature is fluid and cursive, with the "CPA" part being more distinct and written in a slightly larger, bolder script than the name.

June 6, 2005